MULTIMEDIA UNIVERSITY®

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

DFA5044 – FINANCIAL ACCOUNTING 4

(All Sections / Groups)

7 JULY 2023
9.00 a.m. -12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Star Corporation was incorporated on 1 January 2021. The following transactions took place during the year ended 31 March 2023:

1. 350,000 ordinary shares were issued on the following terms:

On application	RM0.50
On allotment	RM0.60
On 1st call	RM0.40
On 2nd call	RM0.30
On 3rd and final call	RM0.20

2. Applications received were 470,000 ordinary shares. 70% from public and 30% from private institutional.
3. The directors rejected half of the oversubscribed applications and allotted the shares on pro rata basis among the remaining applicants. Any surplus money on application was used to pay up on allotment.
4. The 1st call was duly collected when due except two shareholders who held 20,000 and 15,000 ordinary shares, paid the 2nd call money during the 1st call. On the other hand, one shareholder with 35,000 shares failed to pay the 1st call money when requested by the company.
5. During the 2nd and 3rd call, all the monies due were received including one shareholder with 35,000 shares paid the amount due for the 1st call during the 3rd and final call.

Required

Journalise the entries to record the above transactions. (14 marks)

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Part B

The Statement of Financial Position of Smart Berhad as at 31 December 2022 is as follows:

Smart Berhad
Statement of Financial Position
as at 31 December 2022

Non-Current Assets	
Land and building	RM424,000
Machine and equipment	128,000
	552,000
Current Assets	
Bank	200,000
Total Assets	**RM752,000**
Issued and paid-up share capital	
300,000 Ordinary shares of RM1 each	RM300,000
Reserves	
Asset revaluation reserve	80,000
Retained profit	100,000
Non-current liability	
168,000 7% Redeemable Preference shares of RM1.20 each	252,000
Current liability	
Trade payables	20,000
Total Liability and Shareholders' Equity	**RM752,000**

On 1st January 2023, 80% of the preference shares were redeemed at a premium of 25%. To finance the redemption, the company will utilize three-quarters of the retained profit and the balance through issuance of new ordinary shares at RM1.20 each.

On 30 June 2023, the company declares a bonus of 2 ordinary share for every 6 shares held. This bonus issue is to be made out of the asset revaluation reserve and if it is not enough, retained profit will be utilise for this bonus shares. The newly issued shares (for redemption purposes) will not be accounted for the bonus issue.

Required

(a) Prepare the necessary journal entries to record the transactions. (7 marks)

(b) Provide **TWO (2)** differences between Chairman's Statement and Directors' Report. (4 marks)

(Total: 25 marks)

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QUESTION 2

Part A

Atech Bhd. suffered losses and was unable to pay dividend to its shareholders for several years. The company decided to undergo internal reconstruction and had been approved by all parties to implement the capital reduction scheme.

Below is the financial information of the company as at 31 December 2022.

Land and building	RM490,000
Office equipment	110,300
Motor vehicle	95,000
Investments	110,000
Goodwill	75,000
Inventories	125,500
Trade receivables	198,000
200,000 9% preference shares of RM1.50 each	300,000
480,000 ordinary shares of RM1.50 each	720,000
Accumulated loss	405,000
Asset revaluation reserve	90,000
8% Debenture	240,000
Bank overdraft	90,000
Interest payables on debenture	10,800
Director loan	28,400
Trade payables	129,600

Additional information:

1. Ordinary share price was reduced by RM0.90 each. The existing shareholders subscribe to a new issue of ordinary shares on the basis of 2 to 1.
2. 200,000 9% preference shares exchanged with a new issue of 80,000 10% preference shares of RM1.50 each and the remaining balance by issuance of 300,000 ordinary shares.
3. Debenture holders accepted 15,000 ordinary shares of RM0.60 each in lieu of the interest payable. The value of the interest liability has been agreed should be equivalent to the nominal value of the shares issued.
4. Cancelled 40% of director's loan and the remaining balance settled by the sufficiently issuance of ordinary shares at a price of RM0.60 each. The director agrees to subscribe 50,000 ordinary shares.
5. Write off all intangible assets and accumulated losses.

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6. The company made full settlement of the bank overdraft and paid half of the trade payables; the balance will be settled in the following quarter.
7. Write off one quarter of trade receivables.
8. The fair value of assets are as follow:

Land and building	RM512,000
Inventories	142,800
Office equipment	115,200
Investment	124,000

9. Utilized 50% of the asset revaluation reserve for the scheme.

Required

(a) Prepare journal entries to record the capital reduction. (15 marks)

(b) Prepare capital reduction ledger. (4 marks)

Part B

Answer the following independent questions:

(a) Briefly explain the responsibility of external auditors according to Section 266(2) of the Companies Act 2016. (3 marks)

(b) Identify the **THREE (3)** situations that the company can reduce its capital according to Section 116 of Companies Act 2016. (3 marks)

(Total: 25 marks)

QUESTION 3

Ewein Partnership establishment in September 2016 had successfully built their business empire and they decided to expand their partnership into a limited company.

Wetech Bhd. was to take over all assets (except cash at the bank and account receivables) and reserve of Ewein Partnership for RM1,100,000.

Upon liquidation of the partnership, Wetech Bhd. was to discharge the purchase price by issuing 250,000 fully paid 9% preference shares at RM1.50 and sufficient fully paid ordinary shares at a price of RM2 in Wetech Bhd.

The Trial Balance of Ewein Partnership as at 30 April 2023 is as follow:

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Ewein Partnership

Trial Balance as at 30 April 2023

Accounts	Debit	Credit
Motor vehicles	RM231,000	
Office equipment	180,000	
Machinery	400,500	
Long-term investments	99,000	
Brands	28,350	
Cash at bank	177,000	
Account receivables	56,100	
Inventories	78,300	
Prepaid insurance	5,250	
Accumulated depreciation – Motor vehicles		RM82,500
Accumulated depreciation – Office equipment		63,000
Accumulated depreciation - Machinery		144,750
Account payables		94,800
Utilities payable		7,500
Winnie's, capital		495,000
Ewen's, capital		367,950
	RM1,255,500	**RM1,255,500**

Additional information:

1. Winnie and Ewen share profits and losses of 60% and 40% respectively and they agreed to accept any remaining as part settlement of the amount due to them on liquidation of the company (based on profit sharing ratio).

2. The revaluation assets taken over are as follow:

Motor vehicles	RM190,000
Office equipment	235,000
Machinery	354,000
Long-term investments	120,000
Inventories	71,000

3. Wetech Bhd. was to assist Ewein Partnership to collect the account receivables and paying the account payables and utilities payables. RM6,200 of bad debts was incurred on trade receivables.

4. Winnie and Ewen subscribed to 30,000 ordinary shares at RM2 each in Wetech Bhd. and immediately paid in cash when the company was formed.

5. The liquidation expenses of RM16,600 was to be paid by Ewein Partnership.

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Required

(a) Calculate the purchase price and goodwill. (3 marks)

(b) Prepare journal entries to close the book of Ewein Partnership. (16 marks)

(c) Prepare Statement of Financial Position of Wetech Bhd. after the acquisition of Ewein Partnership. (6 marks)

(Show all your workings).

(Total: 25 marks)

QUESTION 4

Menang Corporation was formed to acquire all the assets and liabilities of Berjaya Sdn. Bhd. and Success Sdn. Bhd. as at 31 December 2023.

The following is the Statement of Financial Position of Berjaya Sdn. Bhd. and Success Sdn. Bhd. as at 31 December 2023.

Statement of Financial Position as at 31 December 2023

	Berjaya Sdn. Bhd.	Success Sdn. Bhd.
Current Assets		
Bank	RM90,000	RM70,000
Trade receivables	70,000	90,000
Inventories	90,000	70,000
Total Current Assets	250,000	230,000
Intangible Assets		
Goodwill	30,000	20,000
Property, Plant and Equipment		
Land and building	390,000	410,000
Plant and machinery	70,000	90,000
Total Assets	RM740,000	RM750,000
Current Liabilities		
Trade payables	RM90,000	RM40,000
Shareholder's Equity		
Ordinary shares of RM1 per share	800,000	300,000
5% Preference share of RM1 per share	-	300,000
Retained earnings	(150,000)	110,000
Total Liabilities and Shareholders' Equity	RM740,000	RM750,000

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Additional information:

1. Upon formation, RM60,000 ordinary shares are issued to the founders at RM1 for cash.

2. The fair value of the assets are as follows:

	Berjaya Sdn. Bhd.	**Success Sdn. Bhd.**
Land and building	RM400,000	RM500,000
Plant and machinery	40,000	50,000
Goodwill	nil	80,000
Current assets	book value	book value

3. Fully paid ordinary shares in Menang Corporation to be issued to Berjaya Sdn. Bhd. to satisfy the purchase consideration.
4. Success Sdn. Bhd. to be issued with 240,000 5% preference share, and fully paid ordinary shares, at RM1 in Menang Corporation. The preference shares issued are to be used to discharge Success Sdn. Bhd.'s preference shareholders.
5. Berjaya Sdn. Bhd. and Success Sdn. Bhd. are to be wound up. Liquidation expenses of RM15,000 each for Berjaya Sdn. Bhd. and Success Sdn. Bhd. to be paid for by Menang Corporation.

Required

(a) Calculate the purchase price and state the consideration paid to Berjaya Sdn. Bhd.and Success Sdn. Bhd.

(4 marks)

(b) Prepare journal entries to close the books of Berjaya Sdn. Bhd. (10.5 marks)

(c) Prepare journal entries to open the books of Menang Corporation. (10.5 marks)

(Total: 25 marks)

End of Paper